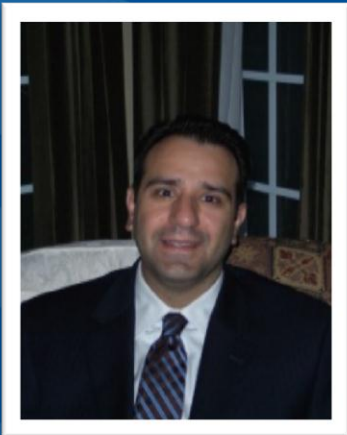


Raleigh, NC

April 25th, 2012

Georgia's Procurement Transformation Initiative



Terry Doumkos, Vice President



**GOVERNMENT
SOURCING
SOLUTIONS**

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

Agenda

- ☐ In the Beginning...
- ☐ Knowledge Center
- ☐ Spend Management Analytics
- ☐ Strategic Sourcing
- ☐ Team Georgia Marketplace™
- ☐ Current Trends

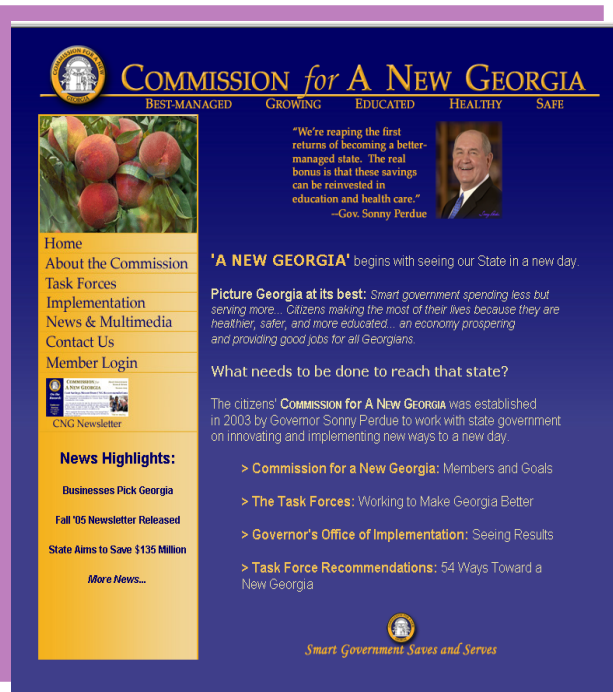
In the Beginning...



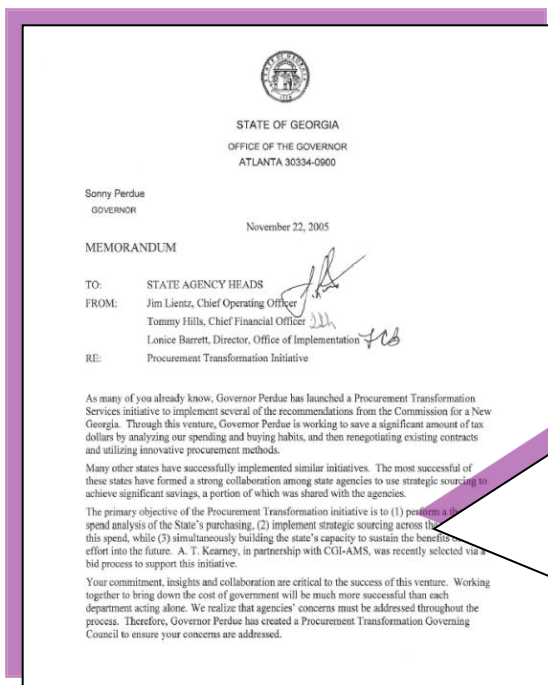
GOVERNMENT
SOURCING
SOLUTIONS

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

The Governor's Commission for a New Georgia has been the driving force behind the Procurement Transformation Initiative



The screenshot shows the homepage of the Commission for a New Georgia. The header features the state seal and the text "COMMISSION for A NEW GEORGIA" with the tagline "BEST-MANAGED GROWING EDUCATED HEALTHY SAFE". A quote from Governor Sonny Perdue is displayed: "We're reaping the first returns of becoming a better-managed state. The real bonus is that these savings can be reinvested in education and health care." Below this, a navigation menu includes links for Home, About the Commission, Task Forces, Implementation, News & Multimedia, Contact Us, and Member Login. A "News Highlights" section lists: "Businesses Pick Georgia", "Fall '05 Newsletter Released", and "State Aims to Save \$135 Million". The footer includes the slogan "Smart Government Saves and Serves".



"The primary objective of the Procurement Transformation Initiative is to (1) perform a thorough spend analysis of the State's purchasing, (2) implement strategic sourcing across the majority of this spend, while (3) simultaneously building the state's capacity to sustain the benefits of this effort into the future"

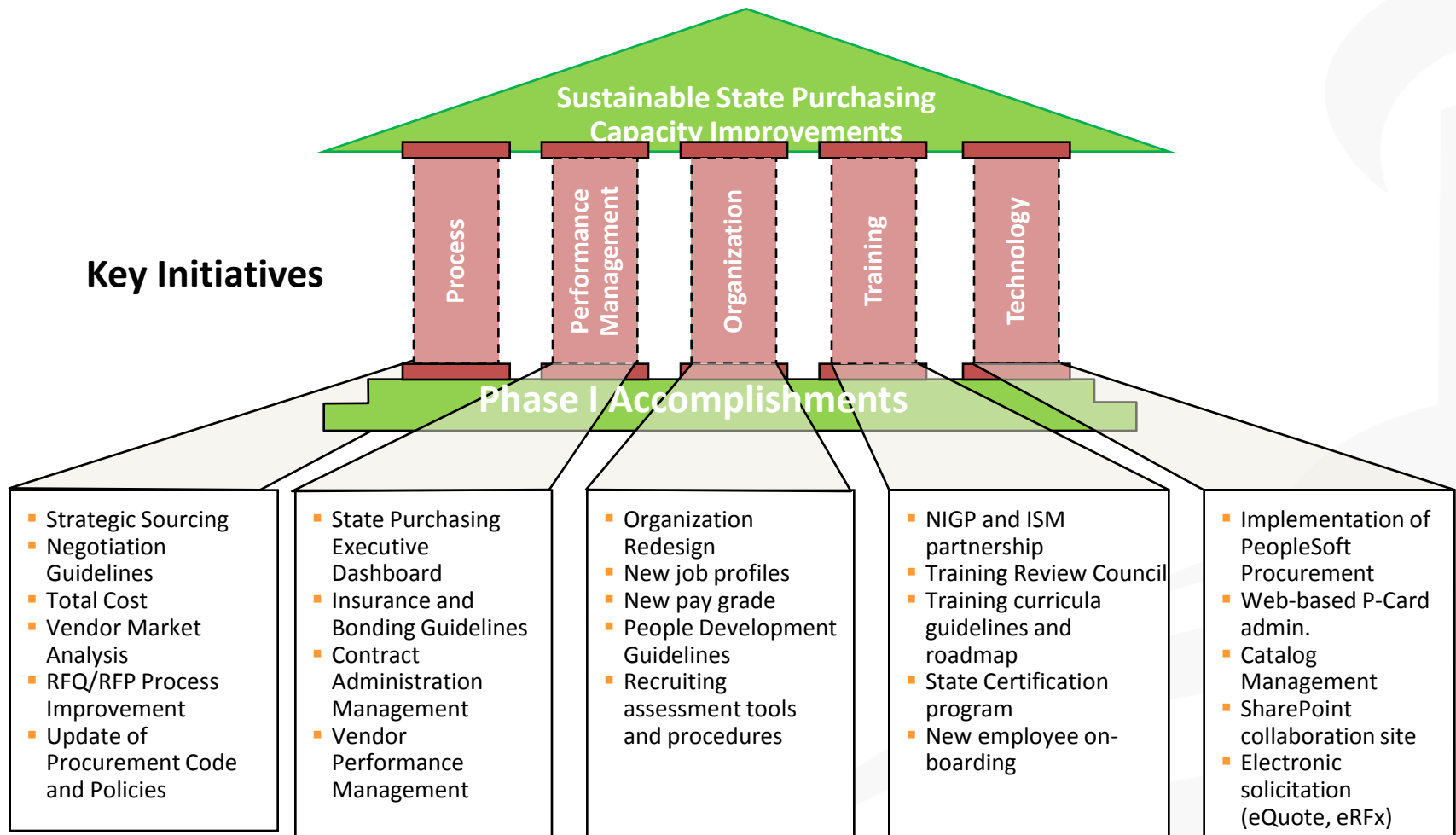
- *Procurement Transformation Initiative Memo; Tommy Hills, Jim Lientz, Lonice Barrett, November 22, 2005*

The Procurement Task Force, led by private sector representatives, targeted savings of \$135MM by FY '09 with a \$14MM investment

Cost-efficient operations. Faster, friendlier, easier services. Smart stewardship of Georgia's assets.

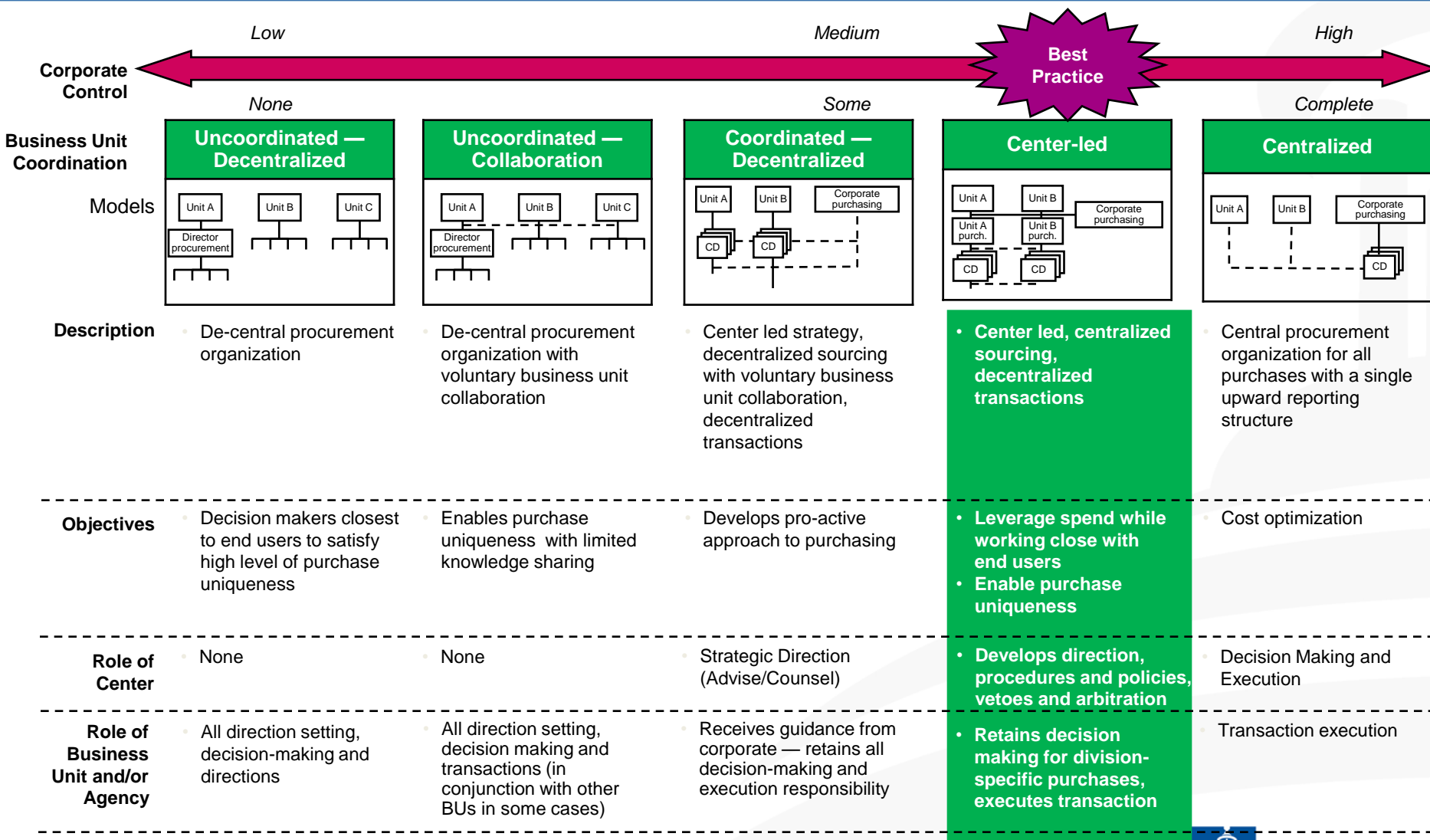
- ☐ Make State Purchasing more efficient and service-driven through e-procurement with strategic sourcing.
- ☐ Establish a single center-leading purchasing agent to most efficiently purchase all goods and services for the State.
- ☐ Set criteria to determine when purchases are made centrally or left to the individual agencies.

State Purchasing Implemented Numerous Initiatives Based on the Transformation's Recommendations



The team has built the foundation for sustainable improvements

Consultants experience showed that world class procurement organizations have a center-led governance structure



Also, to enable best practice procurement processes centered organizations must include five design elements

Best Practice Processes

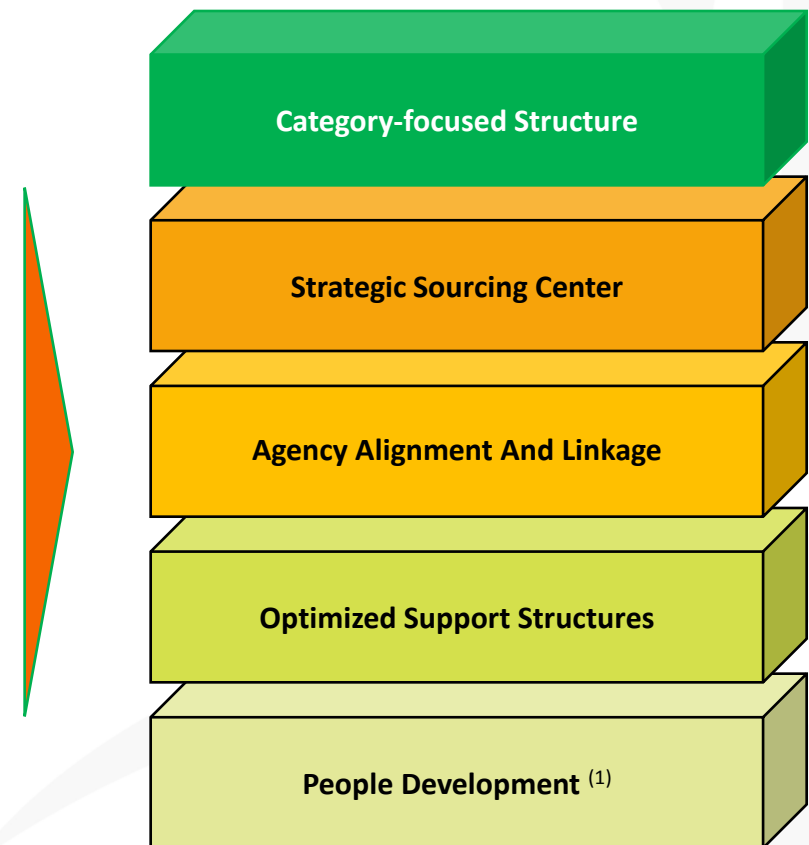
Value Driven Procurement

- **Category Management:** Manage through product categories to leverage value of supply base
- **Strategic Sourcing:** Approach sourcing strategically to ensure best practices are followed through the organization
- **Supplier Management and Development:** Manage and develop suppliers to create new opportunities
- **Supply Fulfillment:** Efficiently execute procurement

Support for Procurement

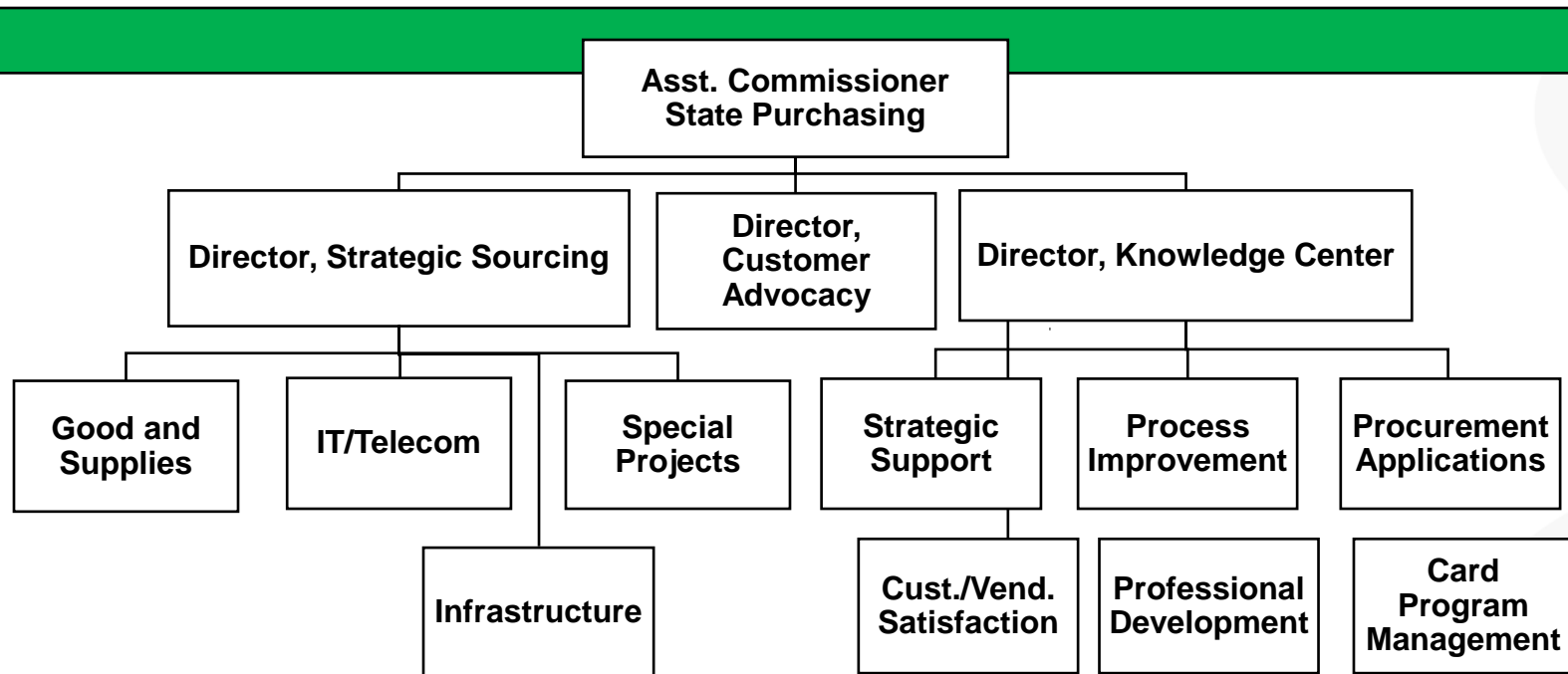
- **IT Development/Data Management:** Manage, research and exploit data to guide strategies and negotiations
- **Personnel Management:** Develop, motivate, and support resources to enable them to function effectively
- **Administrative Policy and Compliance:** Ensure policies and guidelines are properly followed
- **Centralized Enabling Functions:** Collaborate with finance, legal and other external functions

Key Design Elements



Note: (1) Refer to Skill/Training Assessment to review People Development design element

The State redesigned their purchasing organizational structure to improve service and operational delivery



- ☐ Conduct category management, strategic sourcing and supplier development for categories managed by State Purchasing
- ☐ Provide guidance to category teams that reside within agencies
- ☐ Manage procurement of goods/services that have no established category teams
- ☐ Developing SWC's

- ☐ Provide support activities to category teams and special projects
- ☐ Support procurement applications
- ☐ Manage procurement training
- ☐ Assist agencies in improving process
- ☐ Manage communications to enhance agency/vendor relations

In addition the new organization must ensure effective forums for knowledge sharing

Recommended Knowledge Sharing Initiatives

Avenue	Knowledge Sharing Objectives	Frequency of Discussion	Responsible	Participants
Executive Procurement Council	<ul style="list-style-type: none"> <input type="checkbox"/> Align State Purchasing and agency/university goals and objectives <input type="checkbox"/> Share best practices in procurement and strengthen cross-collaboration between agencies <input type="checkbox"/> Address agency/university concerns and issues 	Semi-annual	<ul style="list-style-type: none"> <input type="checkbox"/> Assistant Commissioner <input type="checkbox"/> Director of Strategic Sourcing 	<ul style="list-style-type: none"> <input type="checkbox"/> Agency/University heads <input type="checkbox"/> Agency/University Procurement Officers
Nationwide Procurement Conference	<ul style="list-style-type: none"> <input type="checkbox"/> Share best practices in procurement and develop a collaborative relationship with other states where appropriate 	Annual	<ul style="list-style-type: none"> <input type="checkbox"/> Assistant Commissioner <input type="checkbox"/> Director of Strategic Sourcing 	<ul style="list-style-type: none"> <input type="checkbox"/> Purchasing leaders from other states <input type="checkbox"/> NIGP/NASPO representatives
Procurement Conference	<ul style="list-style-type: none"> <input type="checkbox"/> Update agencies/universities on State Purchasing initiatives <input type="checkbox"/> Provide workshops/training sessions on best practices/areas of improvement <input type="checkbox"/> Address agency's concerns <input type="checkbox"/> Strengthen cross-collaboration between agencies 	Semi-Annual	<ul style="list-style-type: none"> <input type="checkbox"/> Vendor/Customer Satisfaction <input type="checkbox"/> Policy Officer <input type="checkbox"/> Chief Learning Officer <input type="checkbox"/> Dir. Customer Advocacy 	<ul style="list-style-type: none"> <input type="checkbox"/> Agency/University Procurement Officers <input type="checkbox"/> Selected agency/university procurement personnel <input type="checkbox"/> Selected supplier representatives

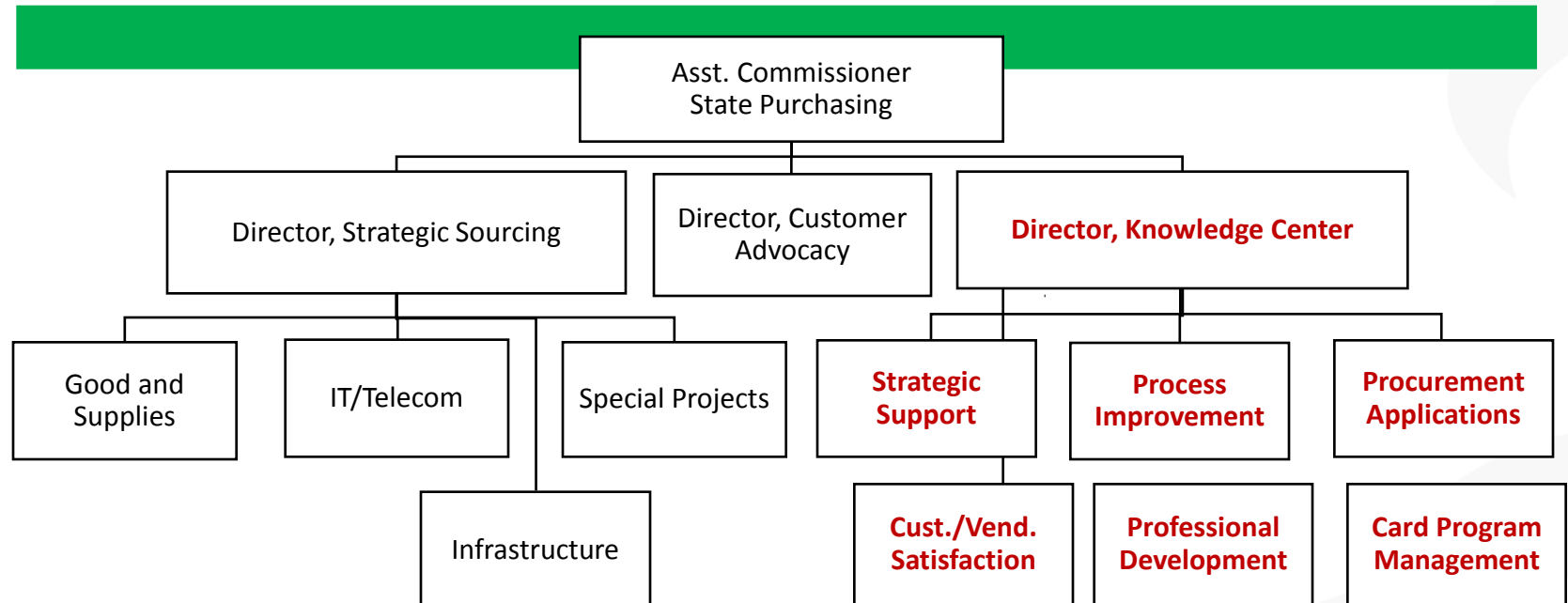
Knowledge Center



GOVERNMENT
SOURCING
SOLUTIONS

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

The State redesigned their purchasing organizational structure to improve service and operational delivery.



- ☐ Conduct category management, strategic sourcing and supplier development for categories managed by State Purchasing
- ☐ Provide guidance to category teams that reside within agencies
- ☐ Manage procurement of goods/services that have no established category teams

- ☐ Provide support activities to category teams and special projects
- ☐ Support procurement applications
- ☐ Manage procurement training
- ☐ Assist agencies in improving process
- ☐ Manage communications to enhance agency/vendor relations

What does State Purchasing want to accomplish?

Our goal is to delegate purchasing authority to state agencies and universities

- ☐ Training and certification
- ☐ Skill validation
- ☐ Compliance audits
- ☐ Policy Development



So that state purchasing can focus on increasing the number of statewide contracts and achieving our procurement goals.



spend management analytics

STRATEGIC SUPPORT GROUP



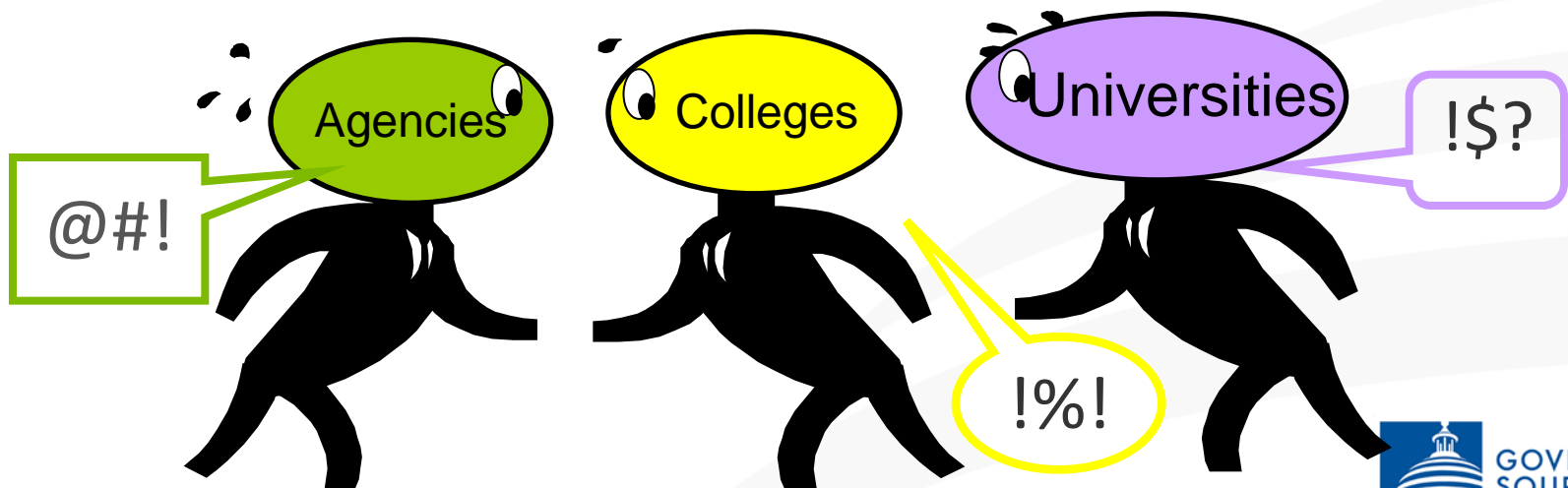
GOVERNMENT
SOURCING
SOLUTIONS

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

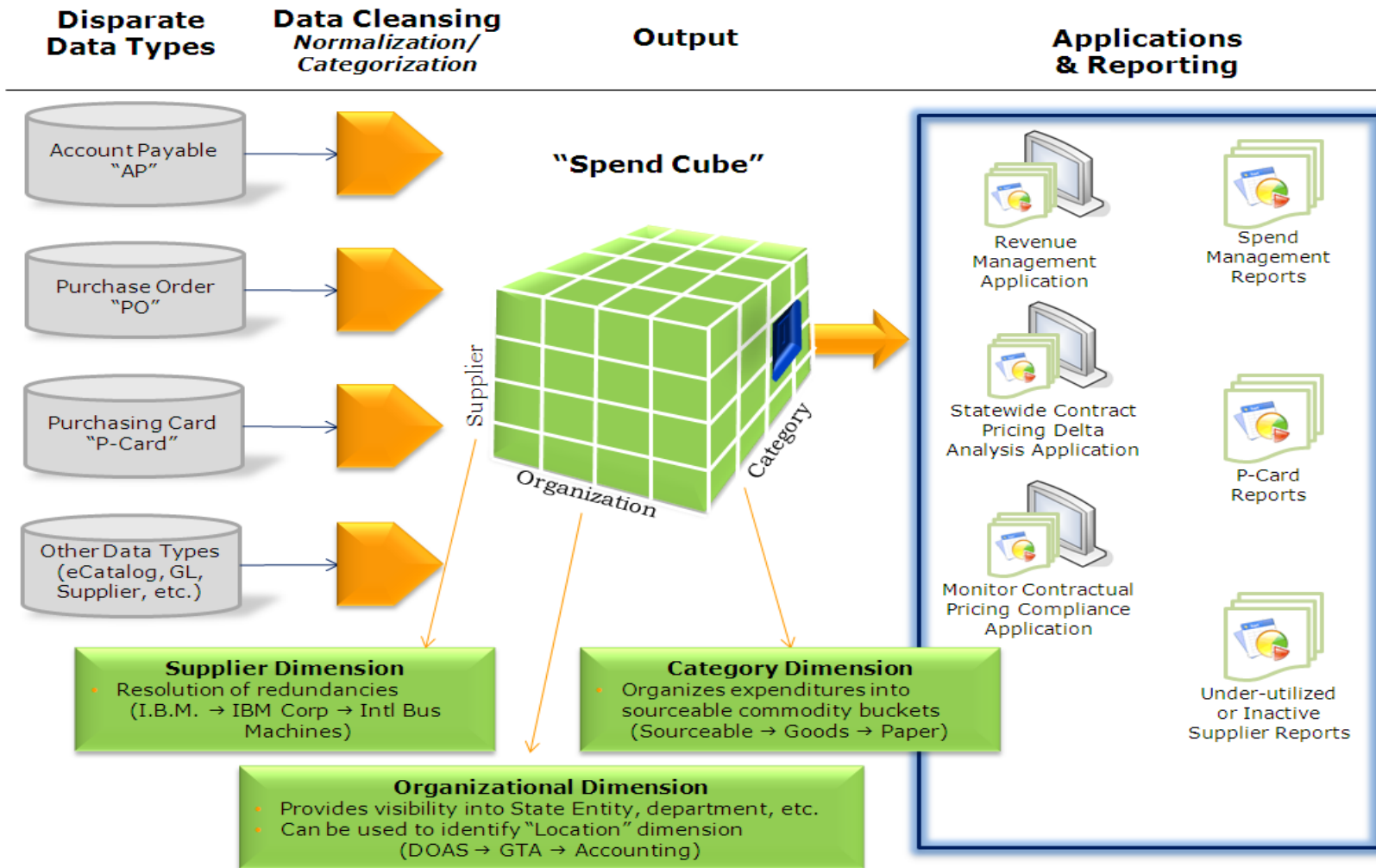
Real World Challenges to Spend Analytics

Overview of Spend Management

- ❑ Difficulty in Collecting and Making Sense of Statewide Internal Purchasing Data
 - ❑ Takes a lot of resources and time to collect data across Georgia's massive enterprise of 123 agencies and 35 academic institutions
 - ❑ Different accounting processes and systems used for data collection
- ❑ Georgia's accounting systems don't speak to each other, so finding relationships between spend data is difficult.



Spend Management Analytics



Strategic Sourcing State Purchasing Division



GOVERNMENT
SOURCING
SOLUTIONS

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

What is Procurement and Strategic Sourcing?

“Procurement is defining its own culture: processes have had to become sharper and faster to be able to deliver in ever-tighter competitive environments. Sourcing no longer equates to instant cost gratification, but is now defined as a strategic component used to drive maximum competitive advantage”

-PROCUREMENT LEADERS

“Strategic sourcing is itself a benchmark. It relates to getting the best products and services at the best value. It is designed to segment external spend and ensure that procurement resources are focused on the most important categories. What sets strategic sourcing apart is its continuous attention to improving and re-evaluating the purchasing activities of a company, thus enabling organizations to adapt to changing market forces”

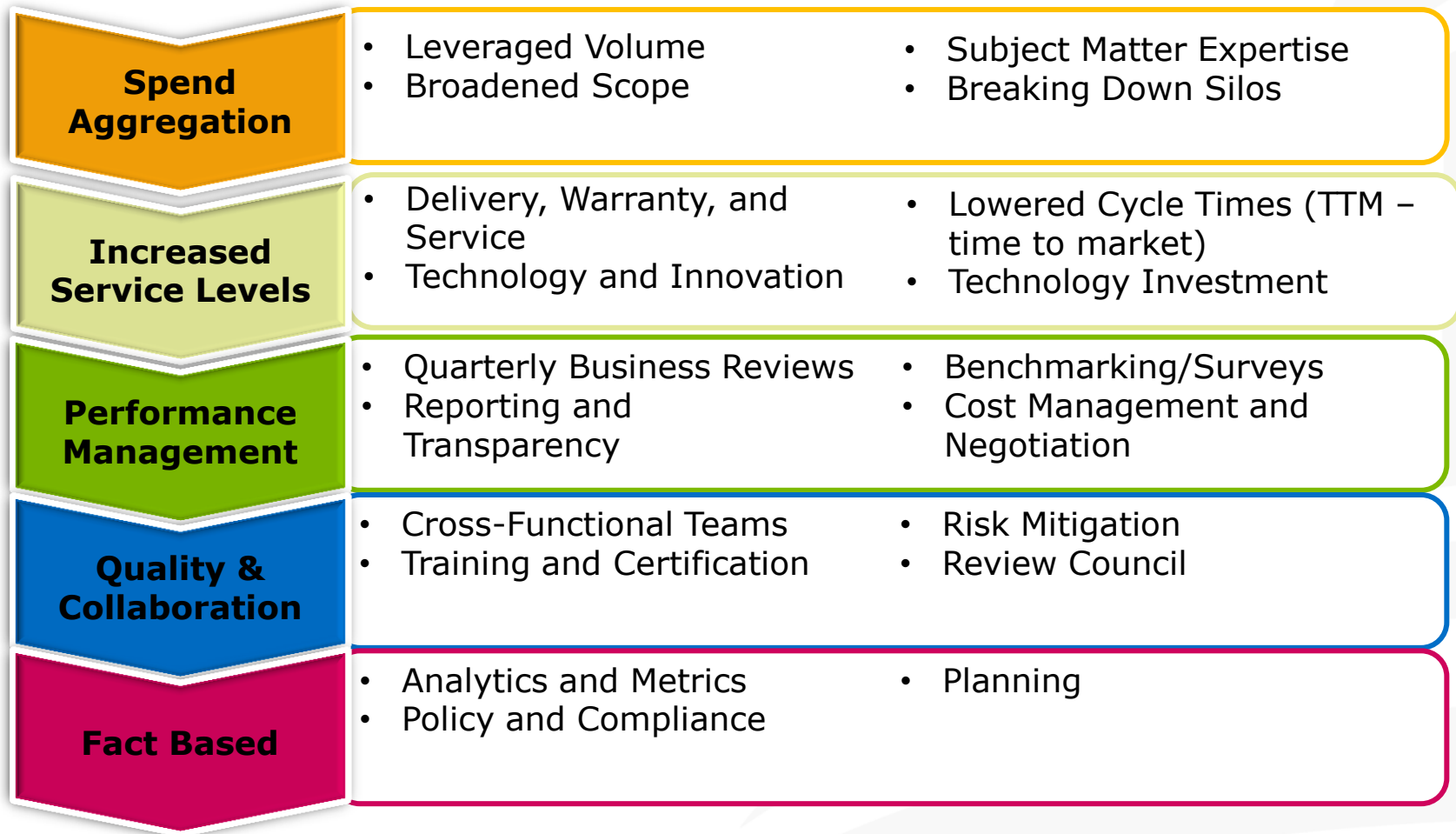
-CPO Agenda

“The collaborative and structured process of critically analyzing an organization’s spend to make decisions about strategies to acquire commodities and services more effectively and efficiently.”

-NIGP

Strategic Sourcing, Driving Value-Added

What you can expect from using Statewide Contracts & the State Purchasing Division



State Purchasing Division - Category Alignment

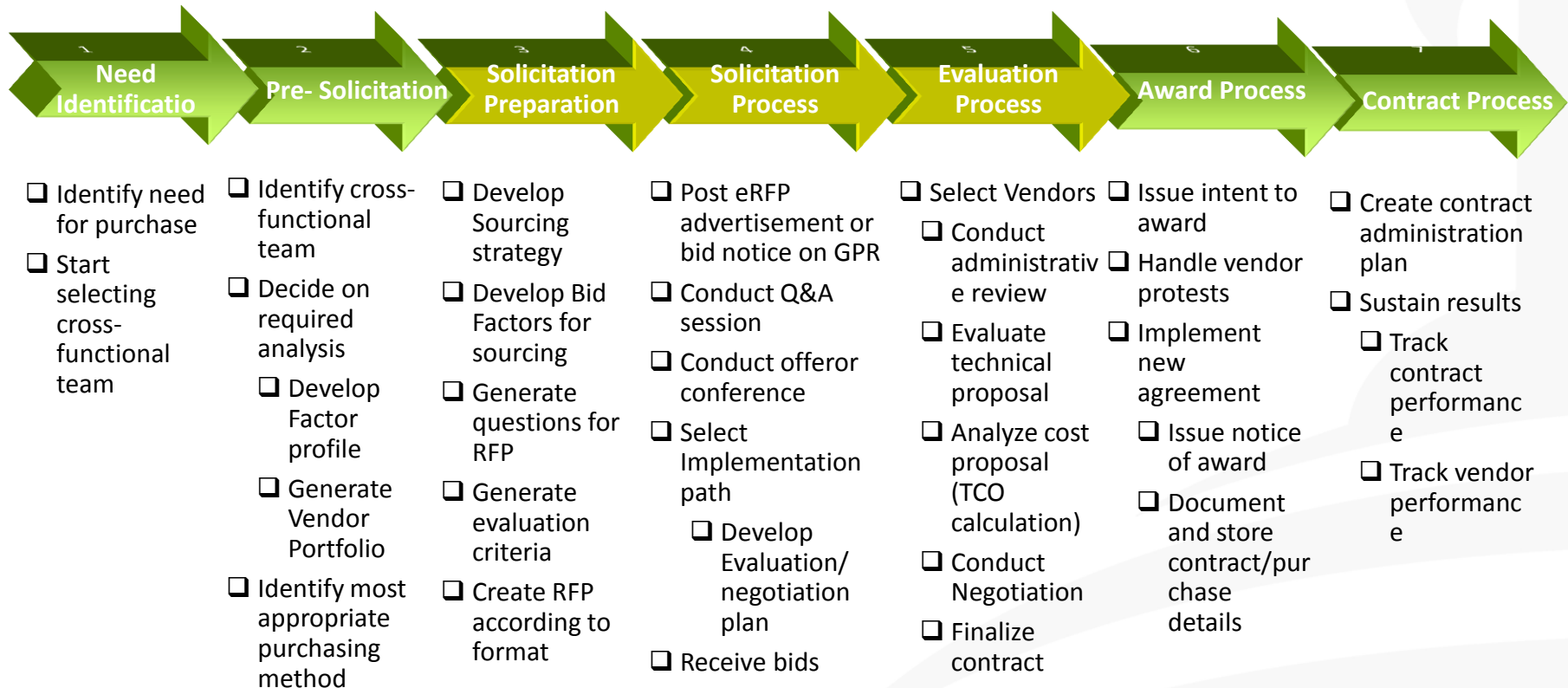
Sourceable										
Goods			Infrastructure			IT		Services		
MRO	Office Expense	Supplies	Energy & Utilities	Fleet	Ops & Maintenance	Hardware	Software & Services	Commercial Services	Health & Social Services	Professional Services
MRO/Facilities	Office Furniture	Agricultural Supplies & Materials	Fuels	Fleet Assets	Building Construction	Hardware Consulting	Computer Software	Laundry & Dry Cleaning Services	Human Services	Architectural Services
Outdoor Power Equipment	Office Supplies	Athletic & Rehabilitation Supplies	Utilities	Fleet Maintenance	Construction Materials	IT Hardware	IT Services	Miscellaneous Services	Miscellaneous Services	Communications & Media Related Services
	Paper & Packaging Materials	Drugs & Medical/Lab Equipment		Fleet Parts	Facilities & Ground Maintenance & Repair	Specialized Hardware	Software Consulting	Print Services		Consulting
		Food & Food Supplies		Heavy Equipment	Leases	Telecom Hardware	Telecom Services	Real Estate Property Rental or Lease		Educational
		Law Enforcement Supplies		Transportation Services	Road & Bridge Construction			Recreation, Travel & Amusement		Management
		Miscellaneous Items						Safety & Security		Miscellaneous
		Promotional Items								Professional
										Travel Services

Key

Class	Group	Family	Category	SubCategory
-------	-------	--------	----------	-------------

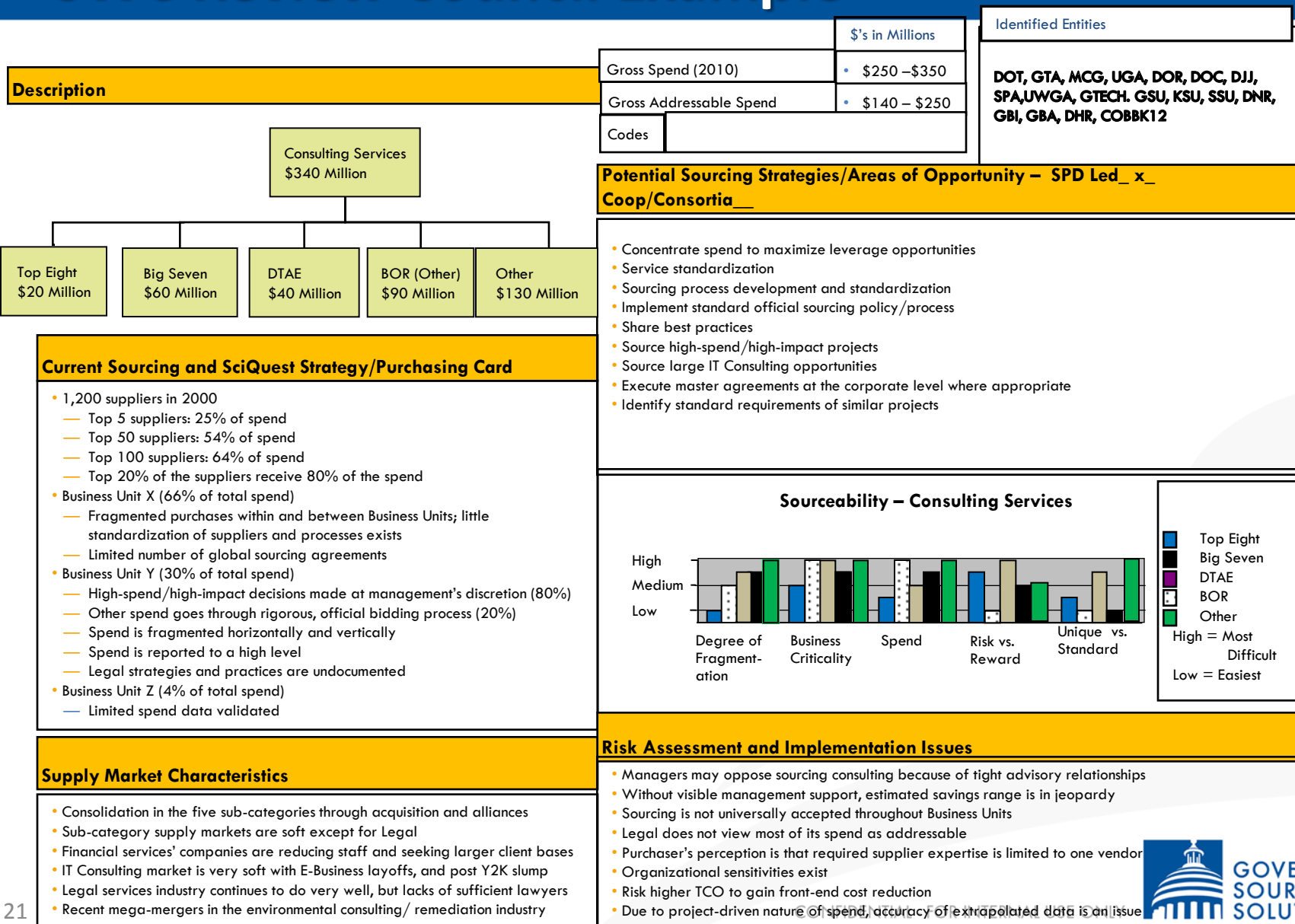
Seven Stages of Procurement

Consistent Sourcing Methodology

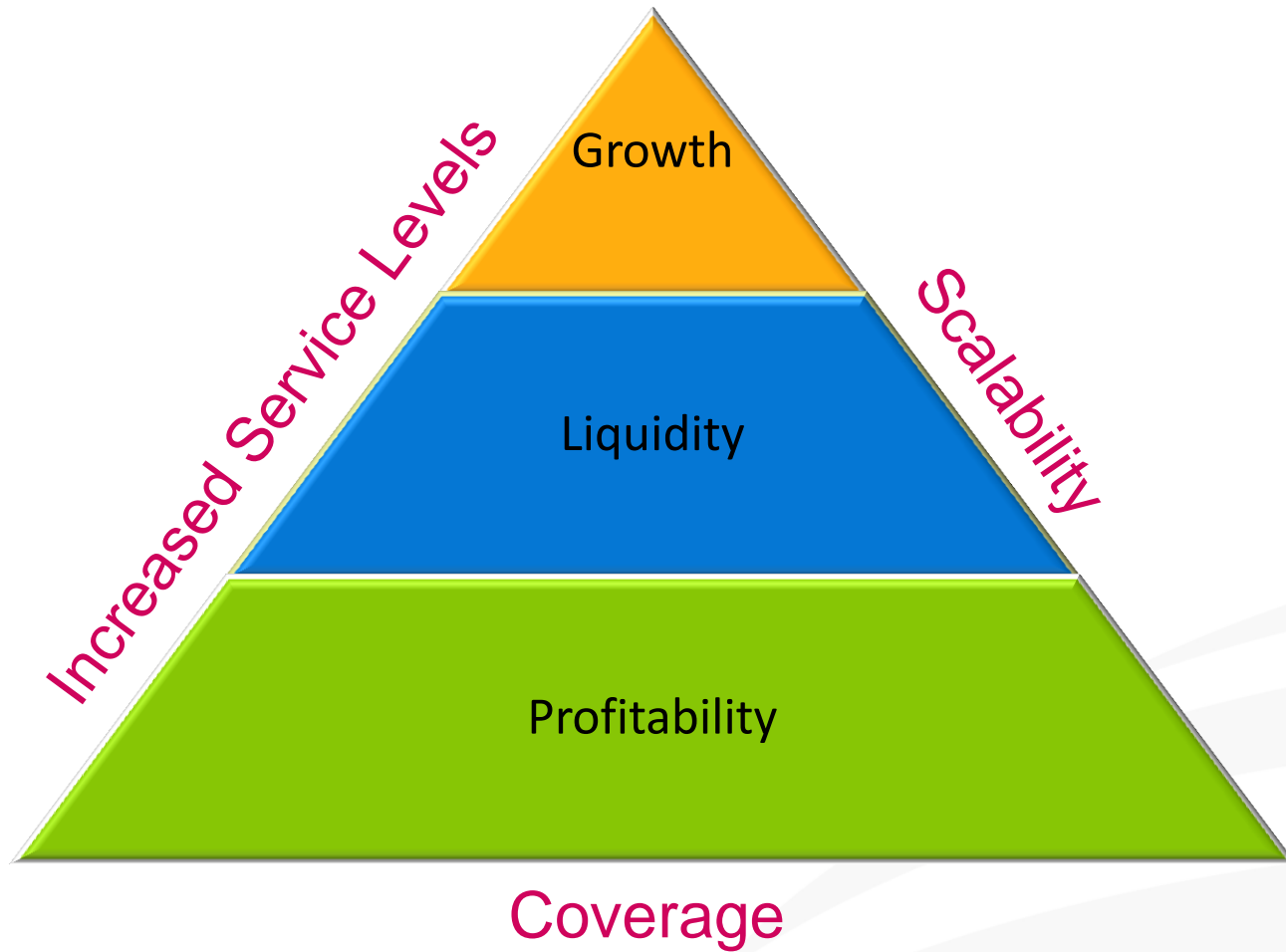


Category Profile – Consulting Services

SWC Review Council Example

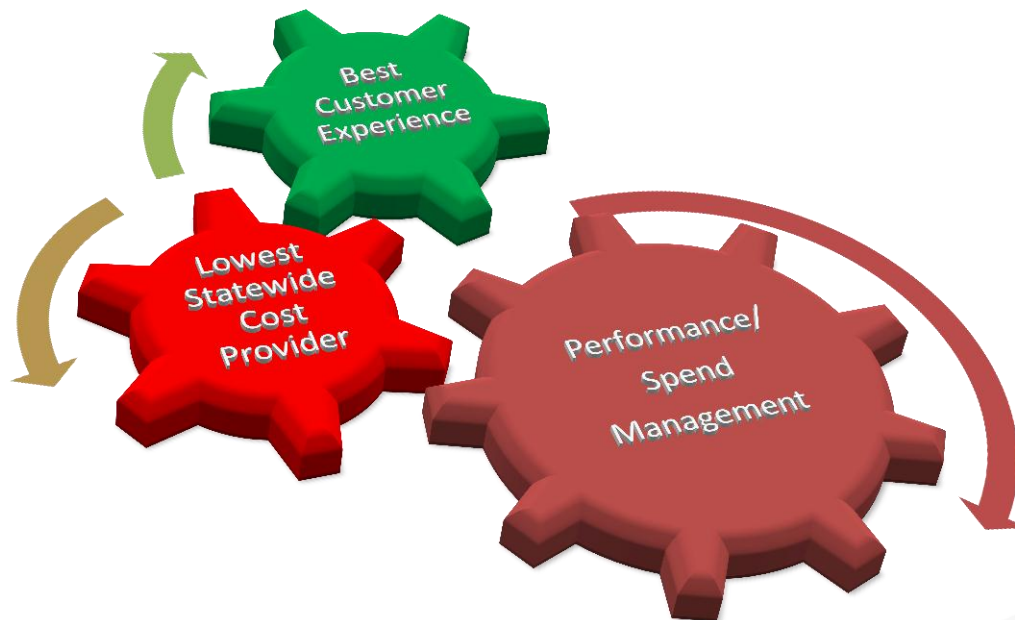


Supplier Financial Stability and Risk Mitigation



A Formalized QBR Process, Managing to KPI's

Balancing Supplier Performance



Supplier Performance



- ☐ Operational Performance
- ☐ Strategy
- ☐ Quality Performance
- ☐ Financials and Cost
- ☐ Process Improvement
- ☐ Relationship Management

☐ Monitoring Process

- ☐ Supplier report cards
- ☐ Regular supplier performance reviews
- ☐ Competitive price benchmarking

Team Georgia Marketplace™



GOVERNMENT
SOURCING
SOLUTIONS

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

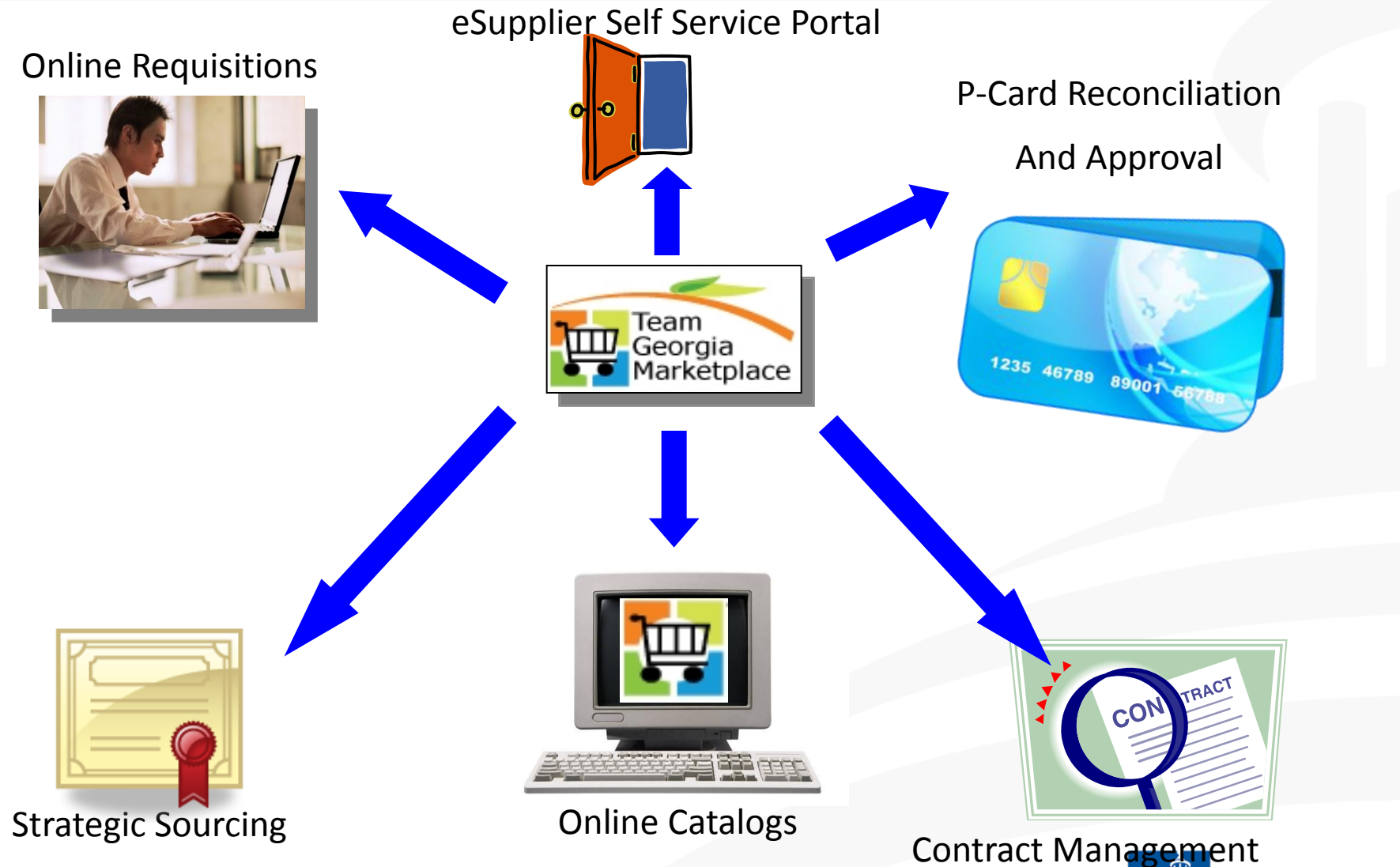
Team Georgia Marketplace™ Goals

- ☐ Provide an open, easy-to-use marketplace to remove adoption barriers
- ☐ Drive spending to pre-negotiated contracts
- ☐ Gain insight into how state money is being spent
- ☐ Eliminate paper-driven administrative practices
- ☐ Give staff time to spend on initiatives that deliver greater savings and higher value services
- ☐ Connect operations of independently run state entities with different needs and systems and practices
- ☐ Capability to integrate systems and practices into one core eProcurement technology platform
- ☐ Provide all participants – the state, the users and suppliers alike – with real-time access to the information they need to make better, more strategic decisions
- ☐ *Implement Team Georgia Marketplace™ to account for 80% of state spend by June 30, 2012.*

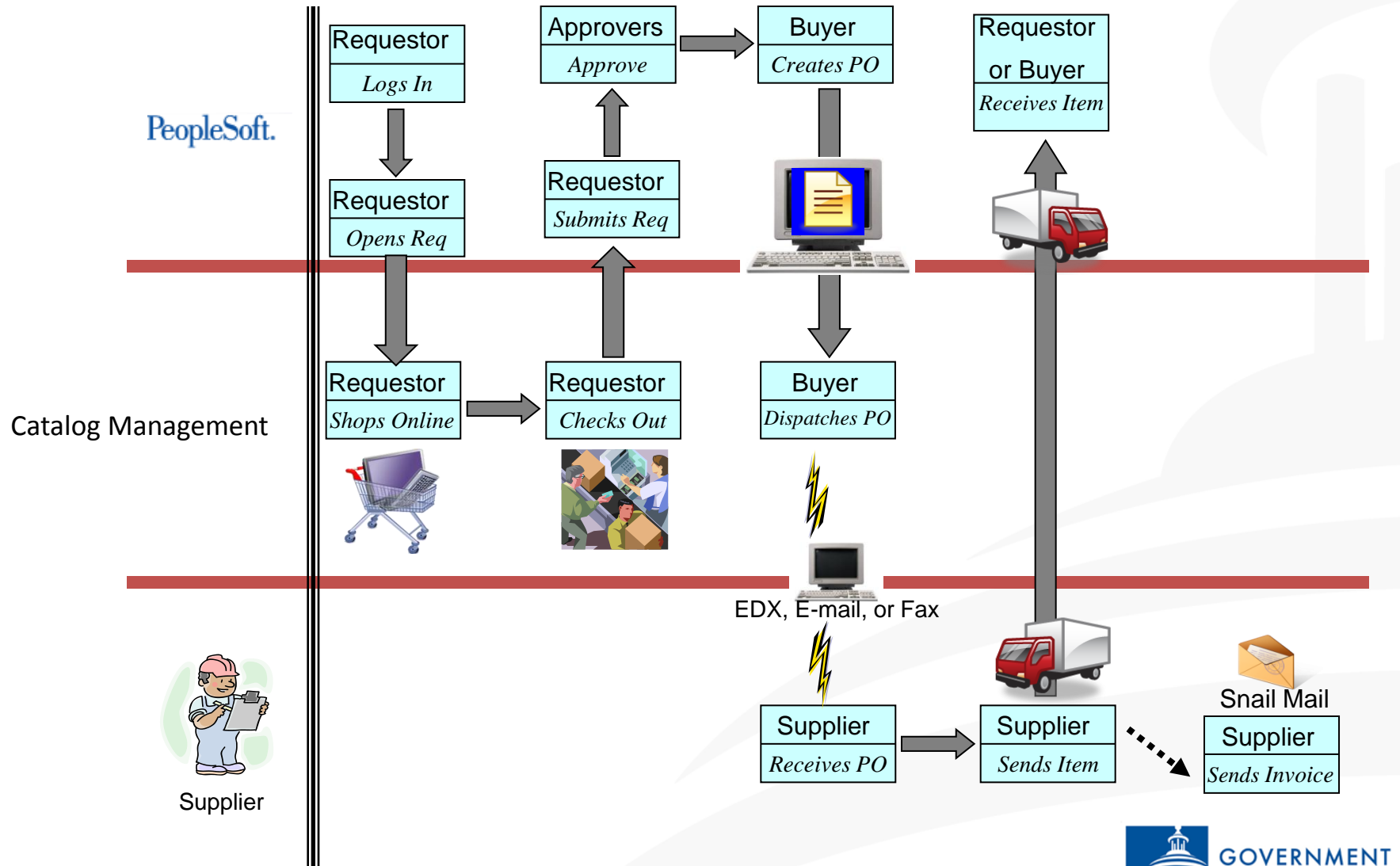
Core Functionality

- ❑ Electronic Requisitioning
 - ❑ Provides easy self-service web-shopping system via online catalogs of products and services available on statewide contracts, streamlines employee ordering and lowers procurement costs by reducing transaction overhead and controlling maverick spending
 - ❑ Benefits - provides simplified and reduced signature routing, reduced paper requisitions, automates receipts and returns, and simplifies creation of open item and history reports
- ❑ Strategic Sourcing
 - ❑ Enables buyers to create buying events, permits suppliers to respond to procurement actions, allows purchasing agents to analyze supplier responses and make awards
 - ❑ Benefits - less mailing and waiting time, reduced paperwork, easier bid comparisons, easier maintenance of bidder information and reduced paperwork files and time
- ❑ Supplier Self Service
 - ❑ Two-way online communication with suppliers enabling self-service access to register and change their bidder information and access to outstanding POs and payment status
 - ❑ Benefits - less paperwork, faster communications, less administrative time, and easily available information for supplier
- ❑ Supplier Contract Management
 - ❑ Standardizes contract processes, reduces time-to-contract, and drives contract compliance
 - ❑ Benefits –electronic vs paper contracts that are easily modified and can be monitored for activity, electronic version control, ties to creating of POs and makes finding contracts for specific items easier through enhanced search capabilities

Procurement Platform



New eProcurement Process



Current Trends in Government



**GOVERNMENT
SOURCING
SOLUTIONS**

MAKING THE HARDEST JOB IN
GOVERNMENT A LITTLE EASIER

What do we see ?

- ❑ Move to eProcurement solutions
- ❑ Continued uncertain economic forecast
- ❑ Increase in technology investments
- ❑ Reduction in staff
- ❑ Increase use in cooperative agreements
- ❑ Organization consolidation
- ❑ Increased transformation initiatives, reducing costs

In sum

- ❑ Get engaged
- ❑ Be part of the process
- ❑ Embrace change
- ❑ Communicate
- ❑ Transformation is iterative
- ❑ You can do this, together!



Questions



Email: tdoumkos@govsourcing.com

Read: Smart Government: Bureaucracy with a Business Brain

Phone: 678-489-6414